

Message Text

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15

ACTION EUR-25

INFO OCT-01 AF-10 EA-11 ISO-00 ACDA-19 CIAE-00 INR-10

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2239

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MOSCOW

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL JOHANNESBURG

AEC JOHANNESBURG

AEC GERMANTOWN

EC BRUSSELS UNN

IAEA VIENNA 93

C O N F I D E N T I A L OTTAWA 2896

E.O. 11652: GDS

TAGS: TECH EEC

SUBJECT: ENRICHED URANIUM POLICY

REF: EC BRUSSELS 6778; LONDON 14099

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1. FORMULATION OF AN ENRICHED URANIUM POLICY SHOULD ALSO TAKE INTO ACCOUNT PRESENT AND, TO THE EXTENT POSSIBLE, FORESEEABLE FUTURE POLICIES OF MAJOR SUPPLIERS OF NATURAL URANIUM. IN THIS CATEGORY CANADA'S POSITION IS OF CONSIDERABLE IMPORTANCE BECAUSE SHE IS NOT ONLY AN IMPORTANT RAW MATERIAL SUPPLIER BUT ALSO HAS A SUCCESSFUL ALTERNATIVE NUCLEARY POWER REACTOR PROGRAM AND HAS EXPRESSED INTEREST IN BUILDING AN ENRICHMENT PLANT.

2. UNTIL RECENTLY THE URANIUM MINING INDUSTRY HAS BEEN SO DEPRESSED THAT ANY SALE WAS WELCOMED AND LITTLE THOUGHT HAS BEEN DEVOTED TO THE ECONOMIC, POLITICAL, AND TECHNICAL LEVERAGE PROVIDED BY A STRONG SUPPLIER POSITION. IN THE FACE OF THE CURRENT ENERGY SITUATION, AND THE EXAMPLE SET BY OIL SUPPLIERS IT IS PERHAPS INEVITABLE THAT THIS IS CHANGING IN CANADA. (OTTAWA 2850 NOTAL). IT SHOULD BE ANTICIPATED THAT FUTURE LARGE CANADIAN SALES WILL BE SUBJECTED TO INCREASINGLY INTENSE SCRUTINY FROM THE TWIN POINTS OF VIEW: (A) WHAT IS IN IT FOR CANADA, AND (B) ARE ADEQUATE RESOURCES RESERVED TO MEET CANADIAN DOMESTIC REQUIREMENTS.

3. FROM THE POINT OF VIEW OF FORMULATING A US POLICY ON ENRICHED URANIUM IT IS THE "QUID QUO PRO" ASPECT OF EVOLVING CANADIAN POLICY THAT WOULD SEEM LIKELY TO HOLD THE GREATEST POTENTIAL FOR PROBLEMS. IF NORMAL MARKET FORCES OPERATE AS EXPECTED THERE IS CERTAINLY AN EXPORTABLE SURPLUS OF URANIUM OVER AND ABOVE FORESEEABLE CANADIAN DOMESTIC REQUIREMENTS. (DOMESTIC REQUIREMENTS COULD EASILY BE USED, HOWEVER, AS AN EXCUSE TO CURTAIL EXPORTS SHOULD A FUTURE GOC DESIRE TO DO SO.)

4. CANADA HAS FOR SOME TIME BEEN FRUSTRATED BY ITS INABILITY TO MARKET WIDELY ITS CANDU POWER REACTORS. THE RATHER OBVIOUS FACT THAT ENRICHMENT PLANTS ARE OF LITTLE USE WITHOUT ADEQUATE SUPPLIES OF FEED MATERIAL WAS SLOW IN DAWNING ON CANADIANS AND ONLY, ACCORDING TO RELIABLE SOURCES, FOUND ITS WAY INTO ENERGY, MINES, AND RESOURCES STUDIES PREPARED FOR CABINET CONSIDERATION

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AT THE LAST MOMENT. THE DECISION TO, IN EFFECT, GIVE BRINCO THE GREENLIGHT TO GO AHEAD WITH ENRICHMENT STUDIES WAS BASED ON MANY FACTORS BUT REPORTEDLY THERE WERE AMONG THEM TWO OF SIGNIFICANCE TO OUR POLICY ON ENRICHED URANIUM: (A) CANDU REACTORS AND THEIR COMPETITIVENESS COULD BE IMPROVED BY SOME SLIGHT ENRICHMENT (OTTAWA -439 OF 8/25/73 NOTAL) AND (B) CANADA MIGHT AS WELL SHARE IN ANY PROFITS TO BE MADE FROM SUPPLYING ENRICHMENT

SERVICES FOR ENRICHED URANIUM POWER REACTORS. IT IS NOT, WE BELIEVE, UNIMPORTANT THAT IN CANADIAN ATOMIC ENERGY CIRCLES A THIRD CONSIDERATION IS NOW BEING QUIETLY DISCUSSED. NAMELY, WHY SHOULD LARGE RAW MATERIALS PURCHASES NOT BE A CONDITION OF THE PURCHASE OF ENRICHMENT SERVICES IN CANADA OR THE USE OF NATURAL URANIUM CANDU? THE CONCERN OF PURCHASERS WITH THE WHOLE PRESENT PICTURE OF SUPPLY AND THE AVAILABILITY OF ENRICHMENT SERVICES AS IT HAS FILTERED BACK TO CANADIAN OFFICIALS IS INEVITABLY INCREASING THEIR AWARENESS OF THE STRENGTH OF THEIR POSITION AS A MAJOR SUPPLIER IN A CRITICALLY SHORT ENERGY SITUATION. OUR POLICY CAN, WE BELIEVE, SIGNIFICANTLY AFFECT HOW THEY USE THEIR POSITION OF STRENGTH.

5. IN A MATTER AS COMPLEX AS ENRICHMENT POLICY, OF COURSE, NO ONE FACTOR OR COUNTRY'S POSITION CAN OR SHOULD BE DETERMINING. THE FOREGOING COMMENTS ARE SUBMITTED FOR CONSIDERATION ALONG WITH THE POINTS RAISED BY OTHER REPORTING EMBASSIES. STRICTLY FROM THE POINT OF VIEW OF THE PICTURE AS SEEN FROM OTTAWA WE CONCUR GENERALLY WITH THE COMMENTS OF OTHER REPORTING EMBASSIES AND WOULD ESPECIALLY EMPHASIZE THE FOLLOWING:

A) WE WHOLEHEARTEDLY CONCUR WITH THE VIEW THAT TECHNOLOGICAL LEAD CANNOT BE LONG MAINTAINED BY SECRECY.

B) THE NATURAL COROLLARY IS THAT OUR POLICY SHOULD ESTABLISH INTERNATIONAL RELATIONSHIPS WHICH ARE COOPERATIVE AND AT THE SAME TIME INSURE THE MAXIMUM POSSIBLE RETURN TO THE US.

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C) WE ALSO CONCUR WITH THE THOUGHT IMPLICIT IN OTHER CABLES THAT "MAXIMUM POSSIBLE RETURN" CAN NOT BE CALCULATED SIMPLISTICALLY IN DOLLAR RECOUPMENT BUT MUST INCLUDE IN ITS CALCULATION THE MORE DIFFICULT BUT REAL VALUES ASSOCIATED WITH THE PLACE OF NUCLEAR ENERGY IN THE TOTAL ENERGY PICTURE AS WELL AS INTANGIBLES ASSOCIATED WITH SECURITY, POLITICAL, ECONOMIC AND TECHNOLOGICAL CONSIDERATIONS (E.G. THE LOCATION OF AN ENRICHMENT PLANT BUILT OUTSIDE THE US WITH US TECHNOLOGY, NPT, CAPITAL REQUIREMENTS FOR NEEDED ENRICHMENT CAPACITY, ACCESS TO NEW AND IMPROVED TECHNOLOGIES IN THE FUTURE AND MANY OTHERS).

D) WE BELIVE THE BEST CHANCE TO MINIMIZE POSSIBLE
ADVERSE IMPACTS ON THE US DERIVING FROM A
CANADIAN AWARENESS OF THE STRENGTH CONVEYED
BY THEIR SUPPLIER POSITION LIES IN REALISTIC
AND MUTUALLY BENEFICIAL COOPERATION BASED ON
REACTIVATING THE CLOSE TIES WHICH HAVE EXISTED
IN THE PAST BETWEEN OUR TWO ATOMIC ENERGY
COMMUNITIES.

E) FINALLY WE ENDORSE EMBASSY LONDON'S VIEW THAT
HESITATION AND DELAY IN FORMULATING A POLICY
HOWEVER MUCH THEY MAY BE UNDERSTANDABLE
BECAUSE OF THE DIFFICULT DECISIONS THAT MUST
BE MADE ENTAIL A REAL RISK OF COUNTERPRODUCTIVE
POLICY EVOLUTION ELSEWHERE, E.G. IN CANADA.
SCHMIDT

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